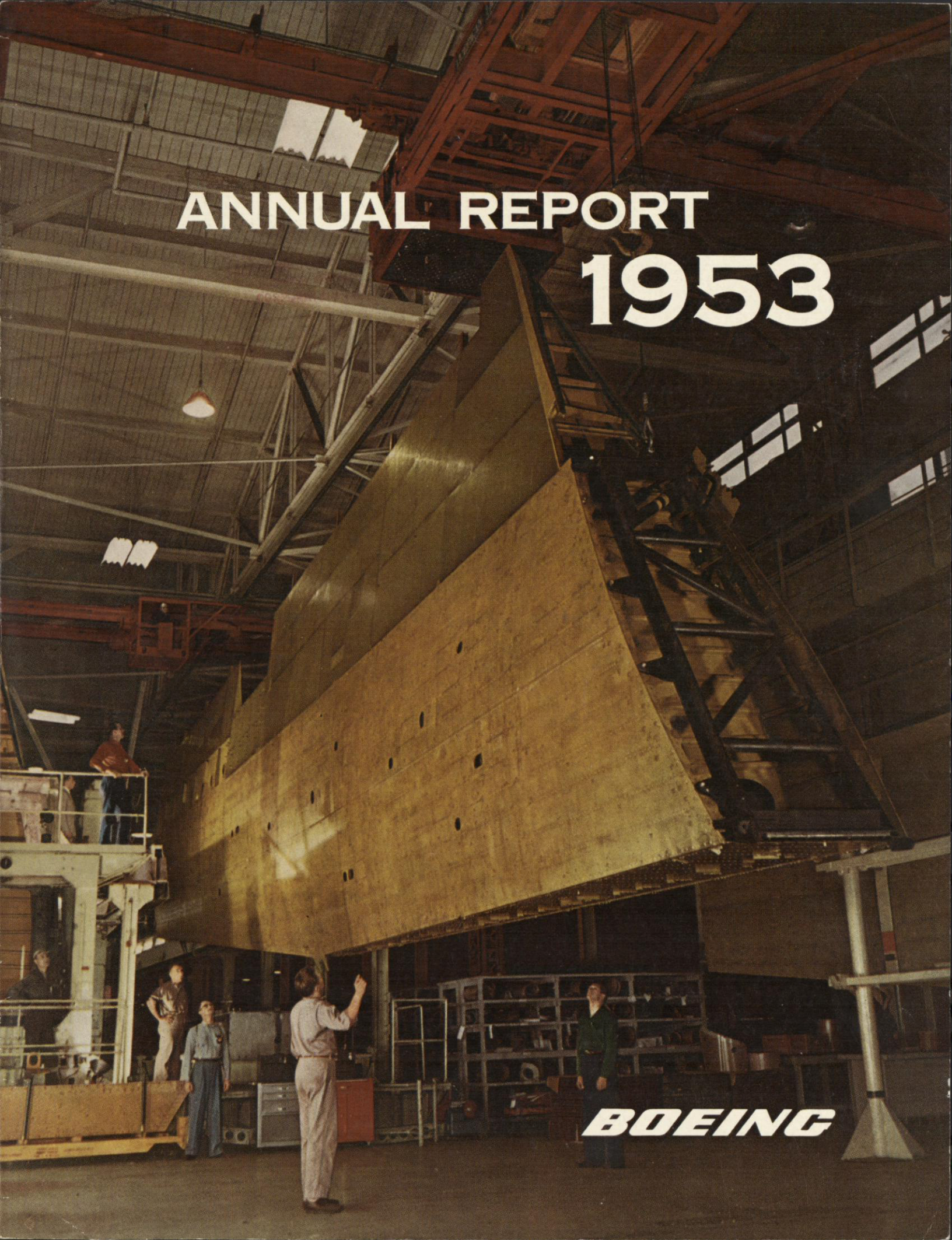


ANNUAL REPORT 1953



BOEING

ANNUAL REPORT

ON THE COVER—A huge inboard wing for one of the eight-jet B-52As is moved by overhead crane from the assembly jig. Massive structures give plant shipyard-like look.

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1953
TO STOCKHOLDERS YEAR ENDED DECEMBER 31, 1953

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Contents of this report comply with national security requirements concerning publication of military information

BOEING AIRPLANE COMPANY

HIGHLIGHTS

OPERATING SUMMARY

	1953	1952
Sales.....	\$918,245,946	\$739,010,214
Earnings before taxes on income.....	\$58,818,178	\$49,784,449
Taxes on income.....	\$38,500,000	\$35,700,000
Net earnings.....	\$20,318,178	\$14,084,449
Dividends paid.....	\$5,676,768	\$4,325,560
Net earnings per share.....	\$12.51	\$8.67
Dividends paid per share.....	\$3.50	\$2.66½
Percentage of earnings to sales before taxes on income.....	6.40%	6.74%
Percentage of taxes on income to sales..	4.19%	4.83%
Percentage of net earnings to sales.....	2.21%	1.91%

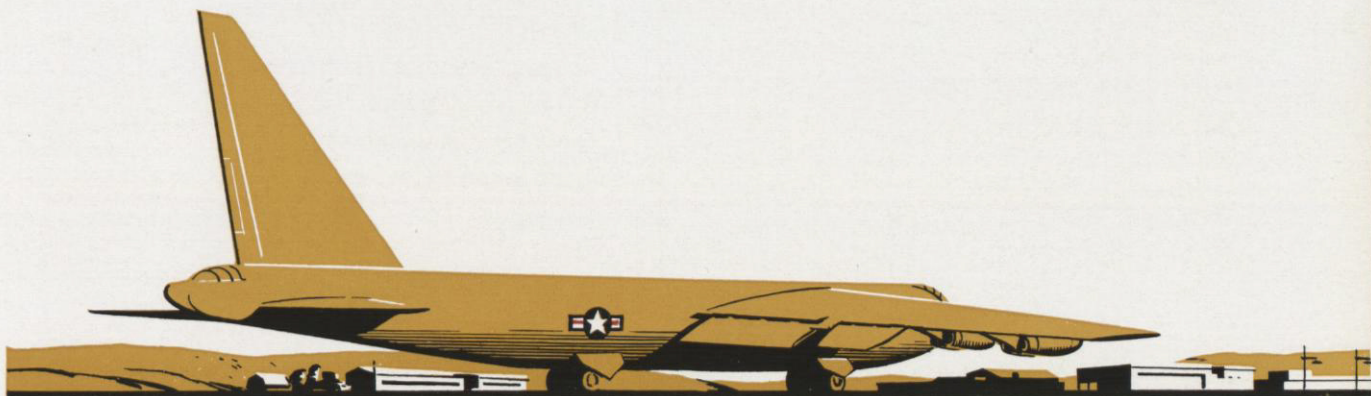
POSITION AT YEAR END

Working capital.....	\$60,218,843	\$50,664,389
Ratio current assets to current liabilities.	1.40 to 1	1.45 to 1
Earnings retained for use in the business.*	\$46,990,942	\$32,349,532
Stockholders' equity per share.....	\$50.62	\$41.60
Number of shares outstanding.....	1,623,681	1,623,681
Backlog.....	\$2,357,000,000	\$1,648,000,000

GENERAL INFORMATION

Total wages and salaries.....	\$261,682,685	\$238,174,873
Average number of employees.....	58,716	54,677
Gross additions to plant and equipment.	\$8,009,875	\$6,745,430

*Since inception of present corporation in 1934



THE REPORT IN BRIEF

Second source B-52 production was ordered for the Wichita Division and additional Seattle production of this heavy bomber was authorized. First production-line B-52A will be rolled out of the Seattle plant in March, 1954.

More airplanes were delivered than in any previous peacetime year.

Sales and net earnings reached a new high. Substantial increases were made in working capital and net worth.

The B-47s entered in quantity into Air Force service to replace World War II B-29s. This Boeing medium jet bomber now is in service overseas, and its utility and performance have been increased.

Substantial savings achieved on incentive-type fixed-price contracts are being shared by company and government.

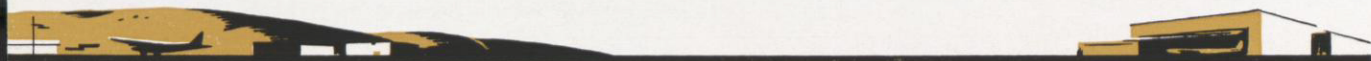
Sales for 1954 are expected to increase somewhat over 1953.

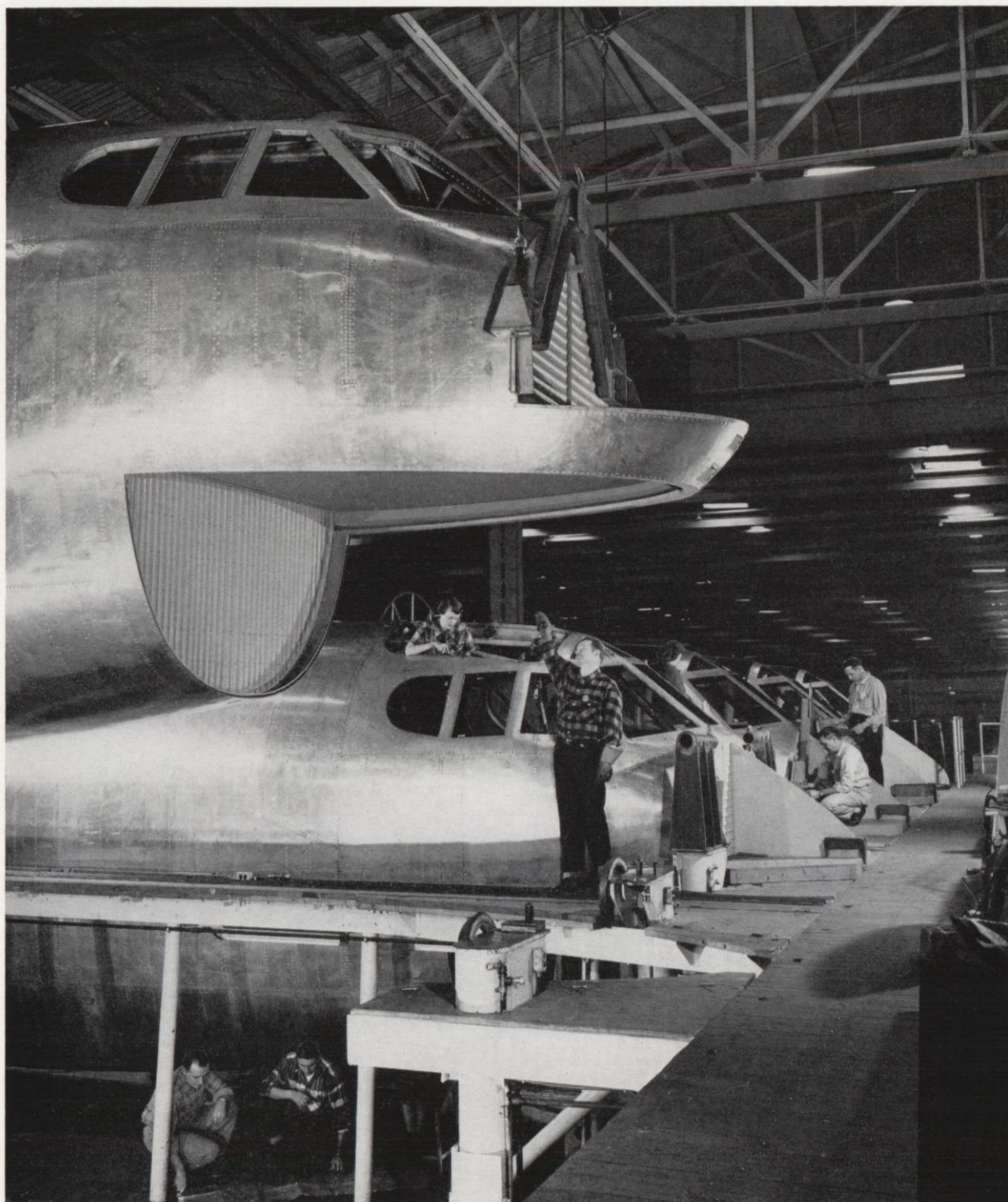
Employment reached a new peacetime high; will remain relatively stable at Seattle during 1954, and increase gradually at Wichita.

The company-financed prototype jet tanker-transport is on schedule, will fly in the fall of 1954. Interest is high in America's first airplane of this type.

Activity increased on company's F-99 pilotless interceptor program.

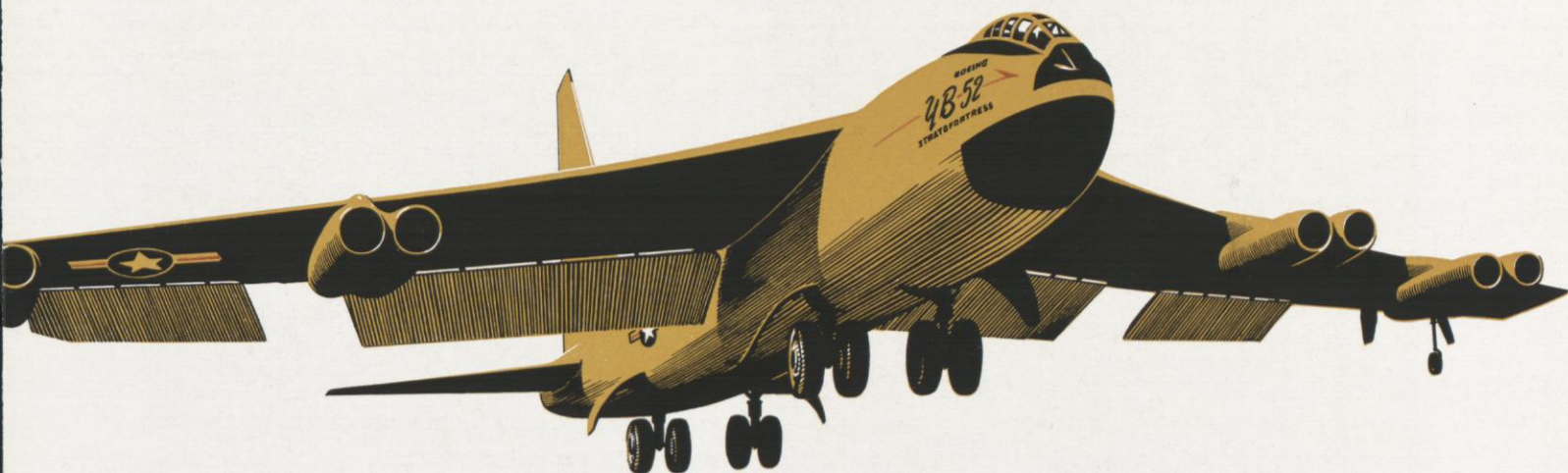
National defense policy gives further recognition to importance of air power and holds some prospect for greater long-range stability for aircraft industry.





Another B-52A nose section is lowered into installation jig. Already in production at Seattle, this heavy bomber also will be built for Air Force at the Wichita Division.

YOUR COMPANY 1953



To the stockholder:

The year 1953 marked the 50th anniversary of the first powered flight and the 37th anniversary of the founding of the Boeing organization.

It was a good year for the company in quality and quantity of production for national defense, in growth of organizational strength and in development of new products.

Sales for the year amounted to \$918,245,946, compared with \$739,010,214 for 1952. Net earnings after taxes on income were \$20,318,178, an increase of \$6,233,729 over the previous year. Federal and state income taxes, including \$9,800,000 for federal excess profits taxes, amounted to \$38,500,000.

On a per share basis for the 1,623,681 shares

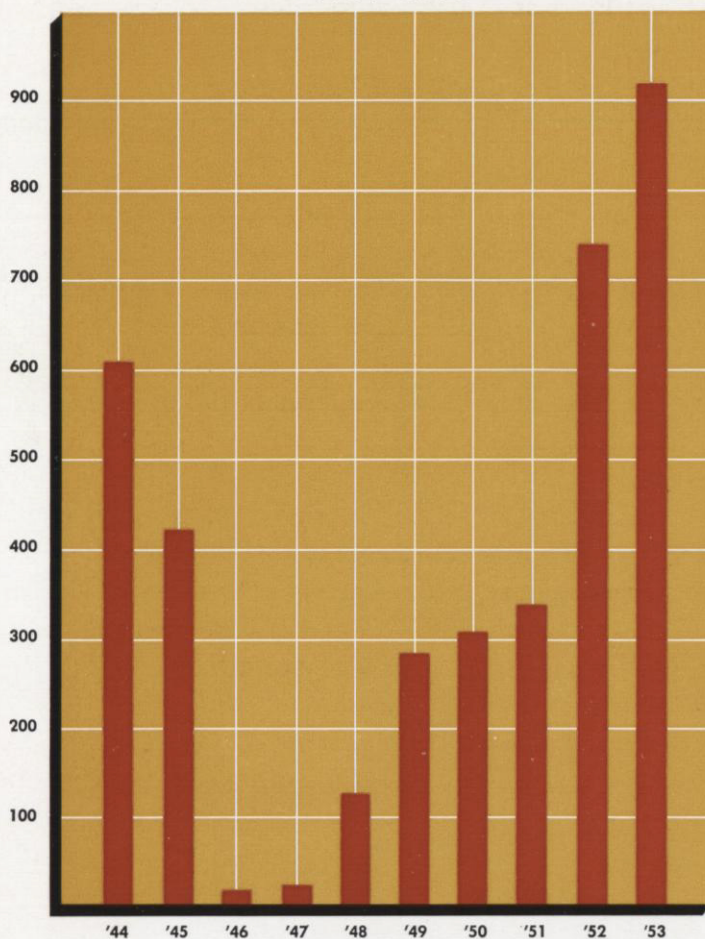
of stock outstanding, the net earnings were equivalent to \$12.51, compared with \$8.67 for the year 1952. Taxes on income amounted to \$23.71 per share in 1953 and \$21.99 in 1952.

The expenditures for the company's prototype jet tanker-transport project are charged off currently and accounted for a large portion of the research and developmental costs of \$14,560,654 charged to earnings during the year. On the other hand, earnings were increased as a result of favorable experience on fixed-price military contracts containing incentive provisions which permit the company to share in the savings when actual costs are less than "target" costs.

Net earnings after taxes amounted to 2.21

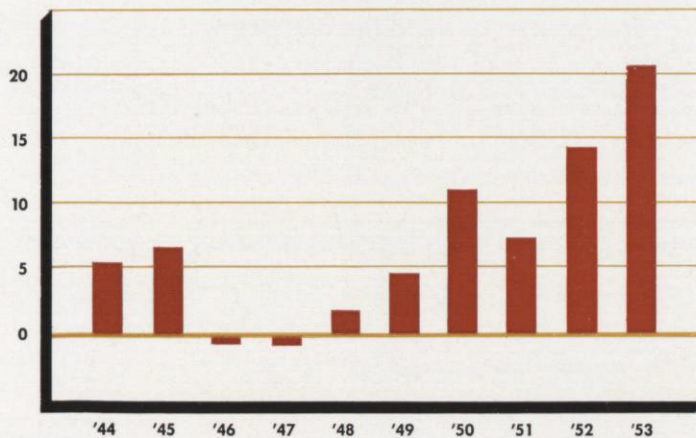
SALES

IN MILLIONS OF DOLLARS
1944 - 1953



NET EARNINGS

IN MILLIONS OF DOLLARS
1944 - 1953



per cent of sales in 1953, compared to 1.91 per cent in 1952. This change in ratio results primarily from a reduction in the income tax provision of approximately \$2,100,000, and a corresponding increase in net earnings, growing out of a change in the time of making awards under the incentive compensation plan for officers, supervisors and other eligible employees. In past years, this fund has been established in the year following the year to which it related. Although charged to operations in the year to which it related, it was considered a tax deduction in the subsequent year. In 1953, the fund was established and the awards were determined prior to the close of the year, permitting a tax deduction in that year in addition to the deduction resulting from the 1952 awards.

The 1953 awards amounted to \$3,000,000 and were made to 4,412 persons. While the amount set aside is measured by earnings, the major portion is accepted as a contract cost in the same manner as other compensation to employees.

Of the net earnings, \$5,676,768 was paid to stockholders in two dividends totaling \$3.50 per share. The balance was retained for use in the business. This addition brought the company's net worth, as of December 31, 1953, to a total of \$82,194,356. The stockholder's equity per share at year end was \$50.62, an increase of \$9.02 over 1952.

The Board of Directors in January, 1954, established a new policy of paying dividends on or about the 10th of the last month of each quarterly period, so long as earnings warrant such action. The first quarterly dividend of 75 cents per share was declared payable on March 10, 1954.

The Board at its March, 1954, meeting voted to submit to stockholders at a special meeting to be held in conjunction with the annual meeting on April 27, a proposal to increase the author-

ized shares of common stock from 2,500,000 to 5,000,000. The Board declared its intention, if the above proposal is approved, of providing a stock split by issuing one additional share for each share now outstanding.

WORKING CAPITAL

Current assets totaled \$209,715,331 at the year end and current liabilities amounted to \$149,496,488, resulting in a net working capital of \$60,218,843. This was an increase of \$9,554,454 over the figure at the end of the previous year.

Current liabilities include an amount of \$70,963,014 entitled, "Estimated amounts payable to the United States arising from contract price revisions." In large part this represents the government's share of savings accomplished by the company on military incentive-type fixed price contracts.

Under this type of contract, a "target" price is negotiated on the basis of cost experience on a reasonable initial quantity, and other cost factors. If, after completion of the contract, the articles have been produced at a cost which is less than the "target," the company retains a share of the savings, usually 20 per cent, and the remainder is returned to the government. If the "target" is exceeded, a percentage of the cost in excess of the "target" is borne by the company and the remainder by the government.

No bank borrowings were required during 1953. However, the government has recently proposed a change in policy which would result in either the elimination of progress payments for work in process, or a reduction in the percentage of payments. If this proposed change were to be put into effect, substantial bank borrowings by your company would be required.

Use of progress payments in contracting industries is an accepted commercial practice and has been the established policy on military con-

tracts for many years. We feel that it would be most inequitable in light of the aircraft industry's already low margin of profit for additional interest payments to be required unless allowed in contract costs or in increased profit margins.

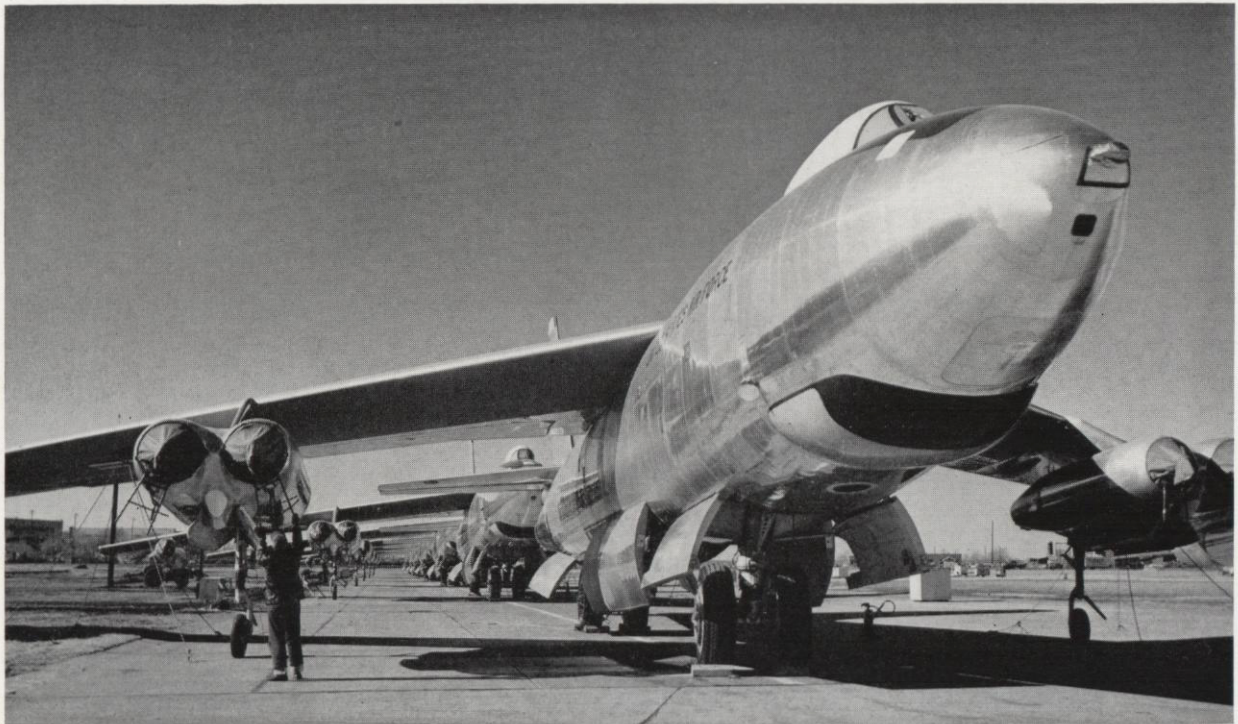
1954 SALES TO INCREASE

Your company's backlog of unfilled orders totaled approximately \$2,357,000,000 at the end of the year, compared with a total of \$1,648,000,000 at the close of 1952. Included in the total, but only to the extent allocated, are the starting or implementing funds on letter contracts for which definitive contracts had not yet been signed.

Approximately 88.5 per cent of the company's backlog as of December 31 is under incentive-type fixed-price contracts. The balance is principally on a cost-plus-a-fixed-fee basis usually employed for research, experimental and early stage production projects.

Sales volume for 1954, based on present schedules, should be somewhat higher than that for the past year.





B-47E Stratojets move along an out-of-doors installation line at Wichita. Production of the six-jet medium bomber reached a peak and was largest Boeing program of the year.

RENEGOTIATION

Earnings for 1953 from government contracts are subject to renegotiation. It is the company's opinion that earnings realized in 1953 were not excessive and that no renegotiation refund should be required. However, since this and other possible contractual adjustments cannot be finally determined at this time, we have retained on our balance sheet an allowance for contract adjustments, including renegotiation, of \$1,200,000, net of taxes, originally established in 1950.

We have received final renegotiation clearances for 1949 and 1950, and the other contractual matters relating to the year 1950 have been finalized. Accordingly, the allowance made in the latter year was returned to earnings in 1953 and a like amount re-established by a charge to

1953 earnings. As stated in the annual reports for 1951 and 1952, it is our opinion that excessive profits were not realized in either of these years and that no refunds should be required. However, until clearances for these years are received, it always is possible that a refund or refunds will be required.

PRODUCTION SUMMARY

Your company made more deliveries in 1953, both in terms of total airplanes and total pounds of airframe weight, than for any year since 1945.

Deliveries consisted principally of B-47 Stratojet medium bombers and KC-97 Strato-freighter tanker-transport, and were made on schedule throughout the year.

A milestone for your company was the Air Force decision in September to establish a second

source for the B-52 Stratofortress heavy bomber at the Wichita Division. In announcing the program, Secretary of the Air Force Harold E. Talbott said, "Extensive tests with the B-52 have been so successful it has been decided that this aircraft is ready for expanded production." Progress has been made, meanwhile, on initial B-52 production at Seattle, where the first B-52A will be rolled out of the factory in March, 1954.

B-47'S BIG YEAR

The company's largest production program in terms of dollar sales was the B-47 project at the Wichita Division.

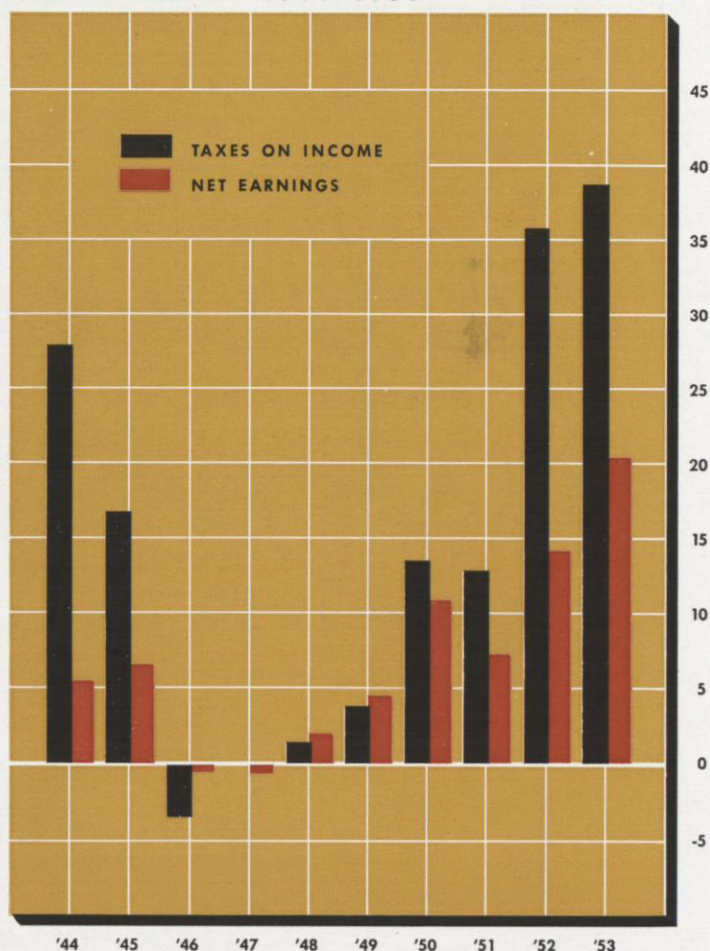
The Air Force announced in September that more than 600 B-47s had been delivered from the Wichita plant. The production rate reached a peak in 1953 and will drop slightly in 1954. A revision in September by the Air Force of a number of its aircraft programs extended deliveries of B-47s from August, 1955, to November, 1956, and made a nominal reduction in quantity. The company, meanwhile, was authorized to proceed with B-47 modification programs which could, if extended, result in a continuing and long-term source of work.

Through the development of equipment and design refinements the Stratojet's operational capabilities were increased. The result is an improved B-47E possessing the greatest performance and utility yet achieved with this medium bomber.

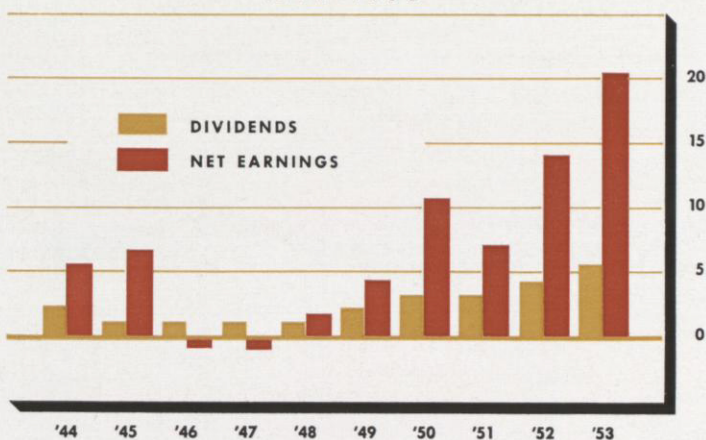
The new RB-47E reconnaissance version is now in concurrent production at Wichita with the B-47E bombers, and the company is investigating additional B-47 adaptations for which there are potential requirements.

With B-47Es rolling on a scheduled basis from Boeing-Wichita as well as from the plants of two other prime contractors for this Boeing-designed airplane—Douglas Aircraft Company at Tulsa, Oklahoma, and Lockheed Aircraft Cor-

TAXES AND NET EARNINGS
IN MILLIONS OF DOLLARS
1944 - 1953



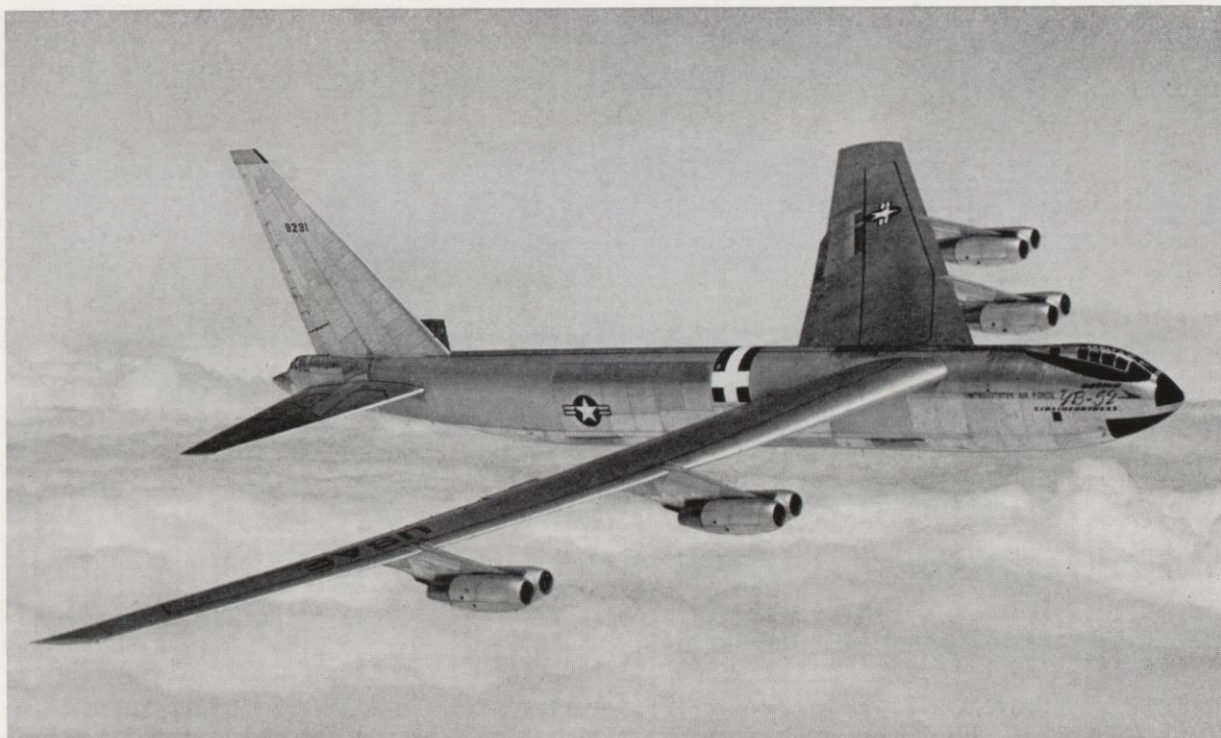
DIVIDENDS AND NET EARNINGS
IN MILLIONS OF DOLLARS
1944 - 1953





To help provide swift "eyes" for the Air Force, the new RB-47E reconnaissance Stratojet started entering service in 1953. In background is standard bomber version, B-47E.

The YB-52 and its prototype sistership, the XB-52, exceeded expectations in tests during 1953. Air Force demonstrated confidence in the long-range bomber by increasing orders.



poration at Marietta, Georgia—Stratojet production continued to be the largest aircraft program for a single type in terms of dollar value in the nation's history. By year end, progressive integration of the fast and powerful B-47 into the Air Force medium bombardment force was well under way, significantly increasing the USAF's strategic operational capabilities. The re-equipment program of converting Strategic Air Command wings from B-29 and B-50 Superfortresses to B-47s will continue progressively during 1954.

The first Air Force Stratojet wing moved overseas for operational training in June and other wings have succeeded it on a routine basis. Numerous speed and distance records were made, including a four-hour, 43-minute crossing of the Atlantic from Maine to England.

B-52 SURPASSES EXPECTATIONS

The two B-52 prototypes in tests during 1953 exceeded performance expectations in almost every respect. It was revealed during the year that this eight-jet airplane, which has a gross weight of more than 350,000 pounds, is faster than the B-47, previously designated the fastest known jet bomber in the world.

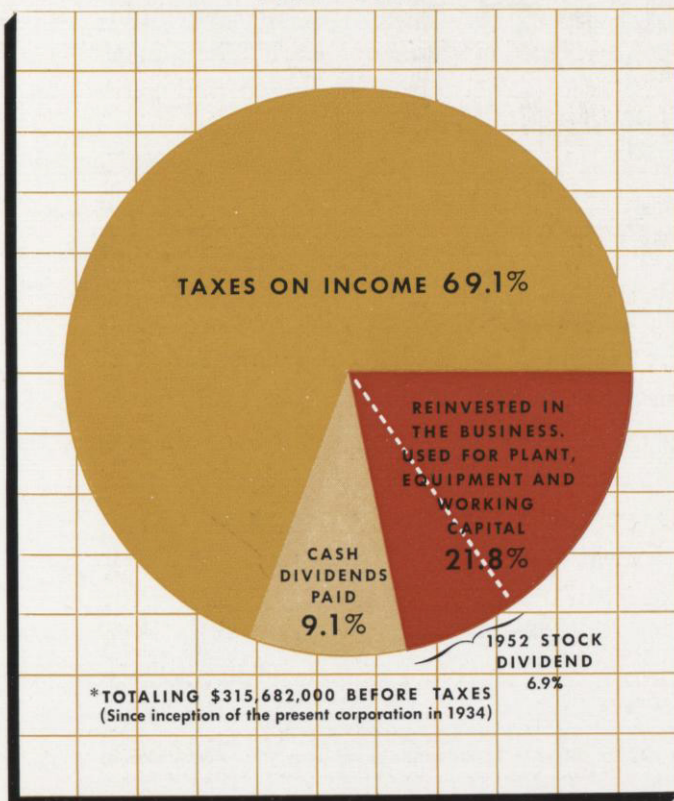
Setting up quantity production of the B-52, with its many new systems, large structures and the close tolerances dictated by its high performance, has called upon all the skill and ingenuity of the Boeing organization. Although initial costs have exceeded original estimates, progress of the production program has been excellent considering the magnitude and complexity of the undertaking.

Versatile KC-97 Stratofreighters stretch the range of the B-47. In this Air Force maneuver, two Stratojets take on fuel as a third prepares to "hook up" to tanker's boom.



DISPOSITION OF EARNINGS*

1934 - 1953



Receipt of orders for additional B-52s at Seattle and implementation for B-52 second source production at Wichita demonstrates the confidence the Air Force has in this airplane. These orders provide a substantial amount of continuing business for both the Seattle and Wichita Divisions.

KC-97'S ONE-A-DAY

More KC-97 Stratofreighter tanker-transports were delivered during 1953 than in any year since Boeing started producing this multi-purpose airplane. The 500th Stratofreighter was delivered early in 1954.

Production of the KC-97 at Renton, Washington, climbed gradually during 1953 and has

been at a rate of one per working day since August. A new contract received during the year extended work on this program at the current rate until the latter part of 1955. However, a new schedule was established in February, 1954, reducing the rates of delivery starting in October, 1954, and extending the program over a longer period without affecting the total quantity under contract. The current production model is the KC-97G.

A turbine-propeller test installation in two C-97s was ordered by the Air Force during the year. Replacing the 3,500 horsepower standard piston engines which normally power this airplane, new 5,700 horsepower Pratt & Whitney gas turbine T34s will be used to obtain test data.

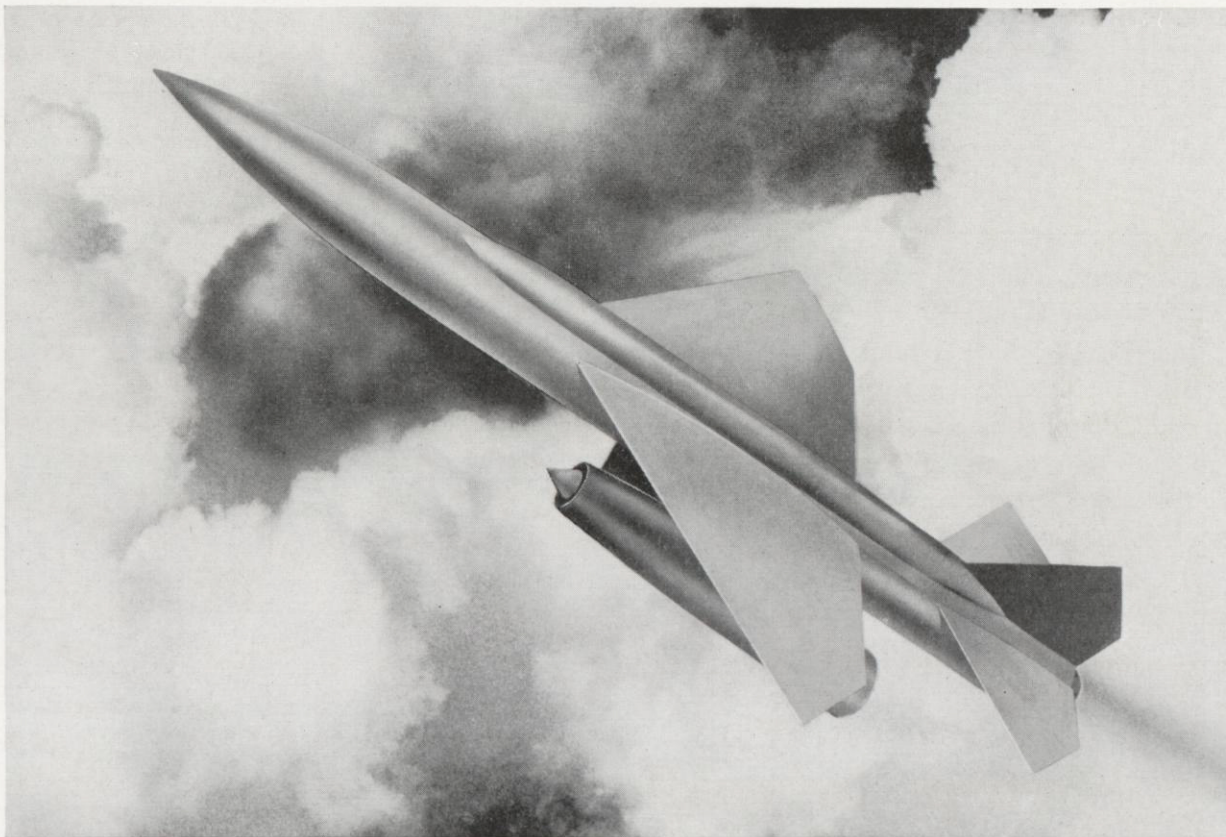
Principal Stratofreighter deliveries have been made to the Strategic Air Command, which is assigning 20 of the "KCs" to each wing of 45 B-47s. Stratofreighter squadrons accompanied the Stratojets on their overseas missions during 1953, carrying maintenance crews, parts and other equipment, and served regularly in this country and abroad as aerial "gas stations" to stretch the range of bombers and fighters.

PILOTLESS AIRCRAFT

Your company's activities in the pilotless aircraft (guided missile) field have increased during the year.

While almost all information on the subject remains secret, the Boeing project has been identified as the F-99 Bomarc pilotless interceptor, a long-range air defense weapon designed to cope with high-speed enemy bombers. This research and development program involves a complete air defense system including the missile and ground support and control equipment. In addition to the developmental project, a contract has been received to initiate production design.

Pilotless aircraft will have a role of growing importance in the nation's future security. Your



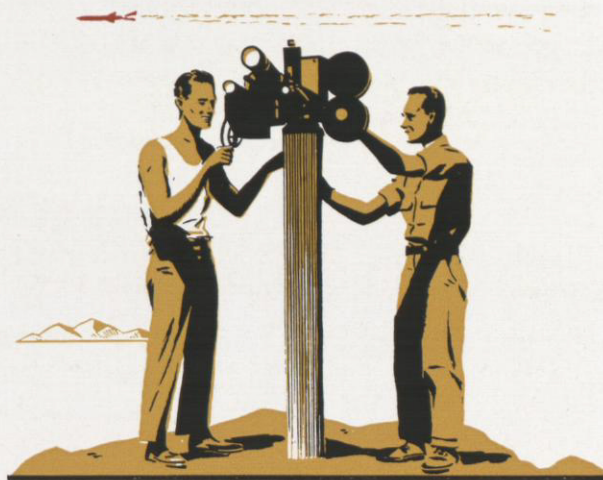
Security permits showing only artist's conception of F-99 pilotless interceptor. Complete air defense system, with ground control and support equipment, is being developed.

company has been engaged in this type of work since May, 1945, and intends to continue building on the abilities it has developed in this field.

JET PROTOTYPE PROGRESSES

Your company's prototype jet tanker-transport will fly in the fall of 1954.

This 550-mile-an-hour airplane is of entirely new design, although by reason of the knowledge acquired in the development of the B-47 and B-52 it has inherited many of their characteristics. It will be powered by four Pratt & Whitney turbojet engines of 10,000 lbs. thrust each. Fully loaded, it will weigh 190,000 lbs.



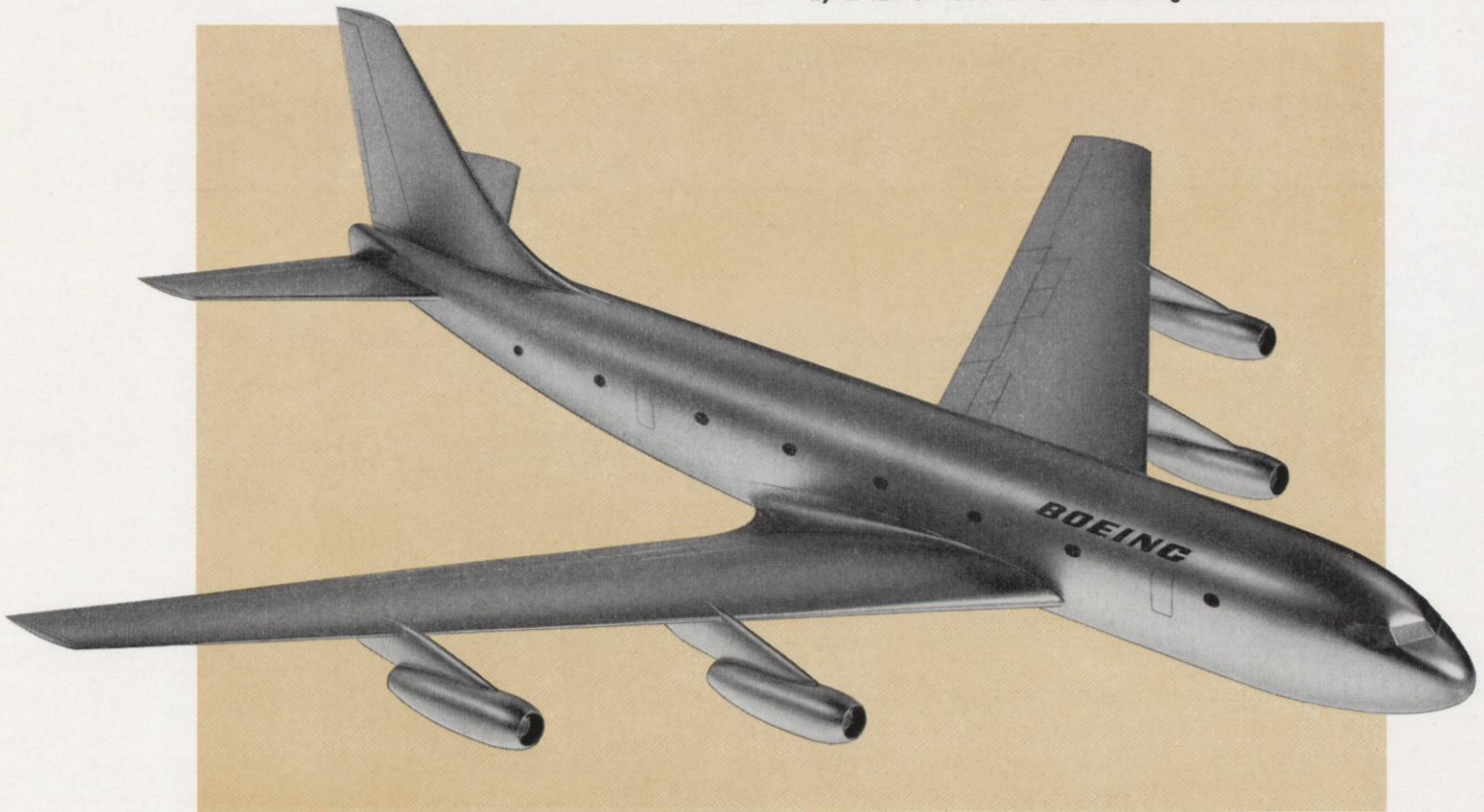
As America's first jet transport the Boeing prototype will serve as a test and demonstrator model. In the military field, the model will be used to demonstrate the advantages of a high-speed multi-purpose airplane for aerial refueling of jet bombers and fighters, and for the transportation of cargo and personnel and air evacuation of sick and injured troops. The same basic design is adaptable to a commercial airliner in the 80- to 130-passenger range, and the prototype will enable us to demonstrate to airlines the potentialities of such equipment.

The new airplane is the result of preliminary studies started by your company as early as 1946. It was given project status in the spring of 1952,

and is entirely company financed. Our work with the B-47 and B-52 gives us design, manufacturing and flight test experience on multi-jet aircraft exceeding, we believe, that of any other company in the world. Considerable interest has been expressed in the airplane both by the military and by the airlines, and numerous officials from both groups have come to Seattle to inspect it.

Expenditures on this project totaled \$12,398,493 by December 31, 1953, and are expected to approximate \$15,260,000 at the time of first flight. These expenditures are being charged to profit and loss as incurred, and are deductible currently for income tax purposes.

Scale model shows how America's first prototype jet transport-tanker will look. This Boeing-financed airplane will fly in fall of 1954 for service testing and demonstration.



INDUSTRIAL PRODUCTS

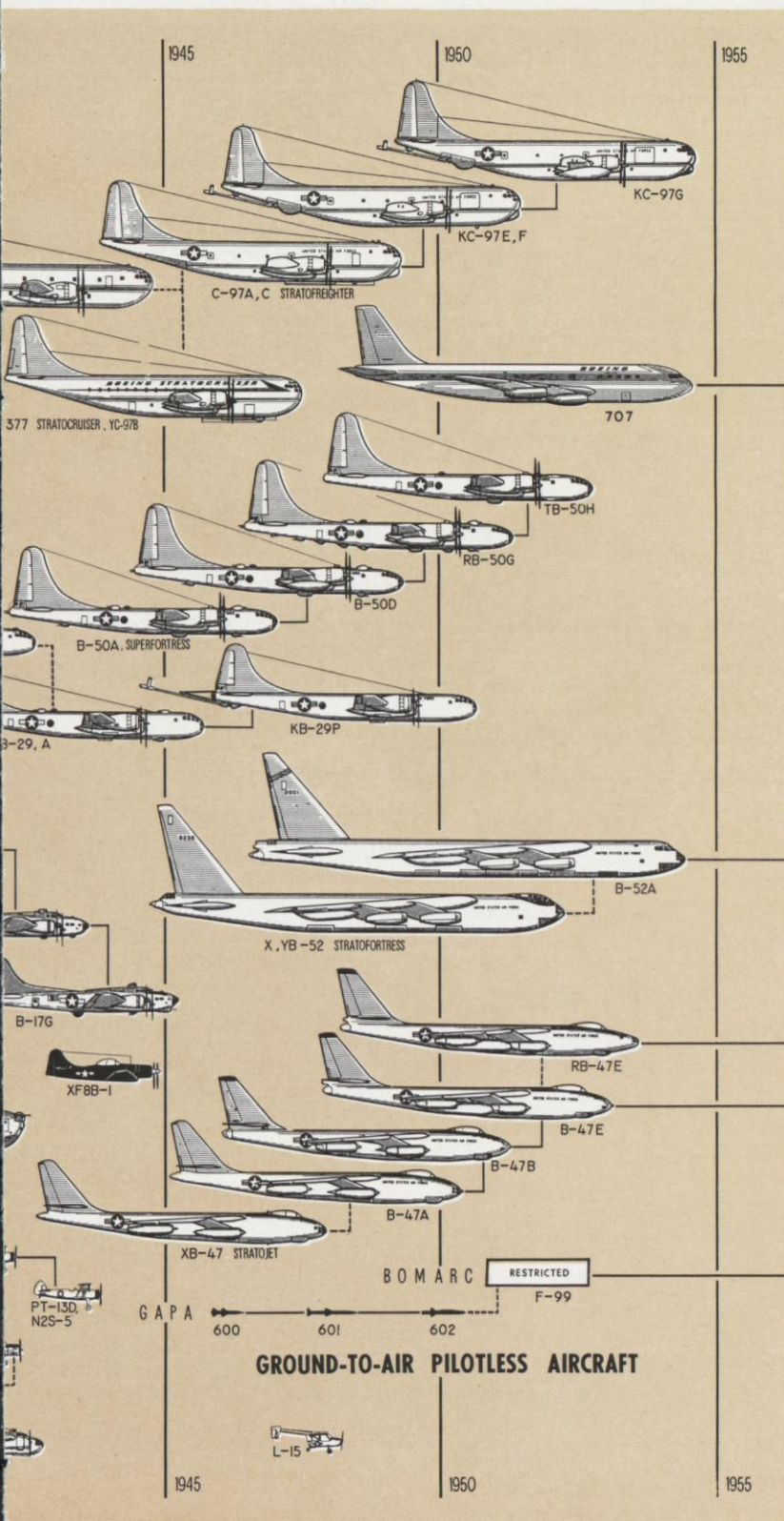
Production and development of the Model 502 gas turbine engine continued during 1953. Principal deliveries consisted of turbine-driven minesweeper electrical power generator sets for the Navy. A new product, a portable turbine-driven ground power cart for starting large aircraft turbine engines, has been used successfully for a year. Additional units of this type are on order for the Air Force. A 502-powered Cessna L-19 set a lightplane altitude record of 37,063 feet in July.

An unresolved question is a determination of the amount of money and effort that should



Prototype jet transport takes shape at Renton. Of entirely new design, it profits from company's long experience in multi-jet field with B-47 and B-52 swept-wing bombers.





BOEING PARADE OF PROGRESS

Seldom does aviation look to the past. It usually is too busy looking ahead, thinking in terms of tomorrow. However, Boeing glanced back last December 17 on the fiftieth anniversary of the first powered flight, as did others in the industry. What it saw was a parade of significant progress during the thirty-seven years since the Boeing company was first incorporated, as the accompanying genealogy chart shows.

The ancestor of all the company's planes was William E. Boeing's "B & W" seaplane of 1916. What has followed has been the result of constant emphasis on the importance of research, of a forward looking approach and of sound design.

First of the famous Boeing bomber line was the GA-2, a redesign of the Army GA-X of 1920. First to attract wide attention, however, was the B-9 of 1931. The Model 299, which became the famous B-17 Flying Fortress of World War II, established Boeing as the leading producer of long-range bombers.

Although the company had built earlier transports, the Model 40 series mail planes were the first to go into extensive operation, and the "247" of 1933 supplied a basic design still dominant in transport aircraft. Most numerous of all Boeing transports are today's C-97's, and their Stratocruiser sisterships.

With a few exceptions, including the heavily-produced Kaydet series of trainers, Boeing has not built any light planes since before World War II, but much of the early-day business was from pursuits and fighters.

Newest addition to the family of pioneering Boeings is the prototype of the Model 367-80 military jet tanker-transport and the Model 707 commercial transport.





Horseshoe-type assembly line was developed for one-a-day production of KC-97 Stratofreighters for Air Force. Twenty of the tanker-transporters go to each wing of 45 B-47s.

be devoted to the turbine project in the future. The present limited demand for the engine is entirely for military purposes. In order to broaden the market, and in particular to develop a commercial market, a considerable investment in money and effort would be required. The company's future policy on this matter is under study.

SPARES WORK INCREASES

Reflecting the increased number and use of Boeing airplanes in the field, the year 1953 marked the largest dollar volume of spare parts business in the company's history. Total spare parts shipments amounted to approximately \$132,000,000, of which all but \$750,000 went to

military customers. Total shipments in 1952 amounted to \$117,340,000.

SUBCONTRACTORS ASSISTED

A large share of Boeing's business goes to several thousand suppliers, among them the subcontractors who produce major sections, large components or complex items of equipment. Many of these subcontractors have had difficulty solving problems arising from technical advances in our product and from the newer materials and processes required and used. A few encountered difficulty because of preference given to non-military work. As a result, there has been a marked increase in the direct assistance Boeing has had to provide to obtain quality parts and

assemblies on schedule. Savings were accomplished on a number of subcontracts. In other cases costs exceeded original estimates, particularly on B-52 work.

FACILITIES ARE EXPANDED

The operations of the Seattle Division are conducted principally at three plants—two in Seattle and one in nearby Renton. Wichita Division work is integrated between two plants. The Renton plant and the larger of the two Wichita plants are wholly government-owned.

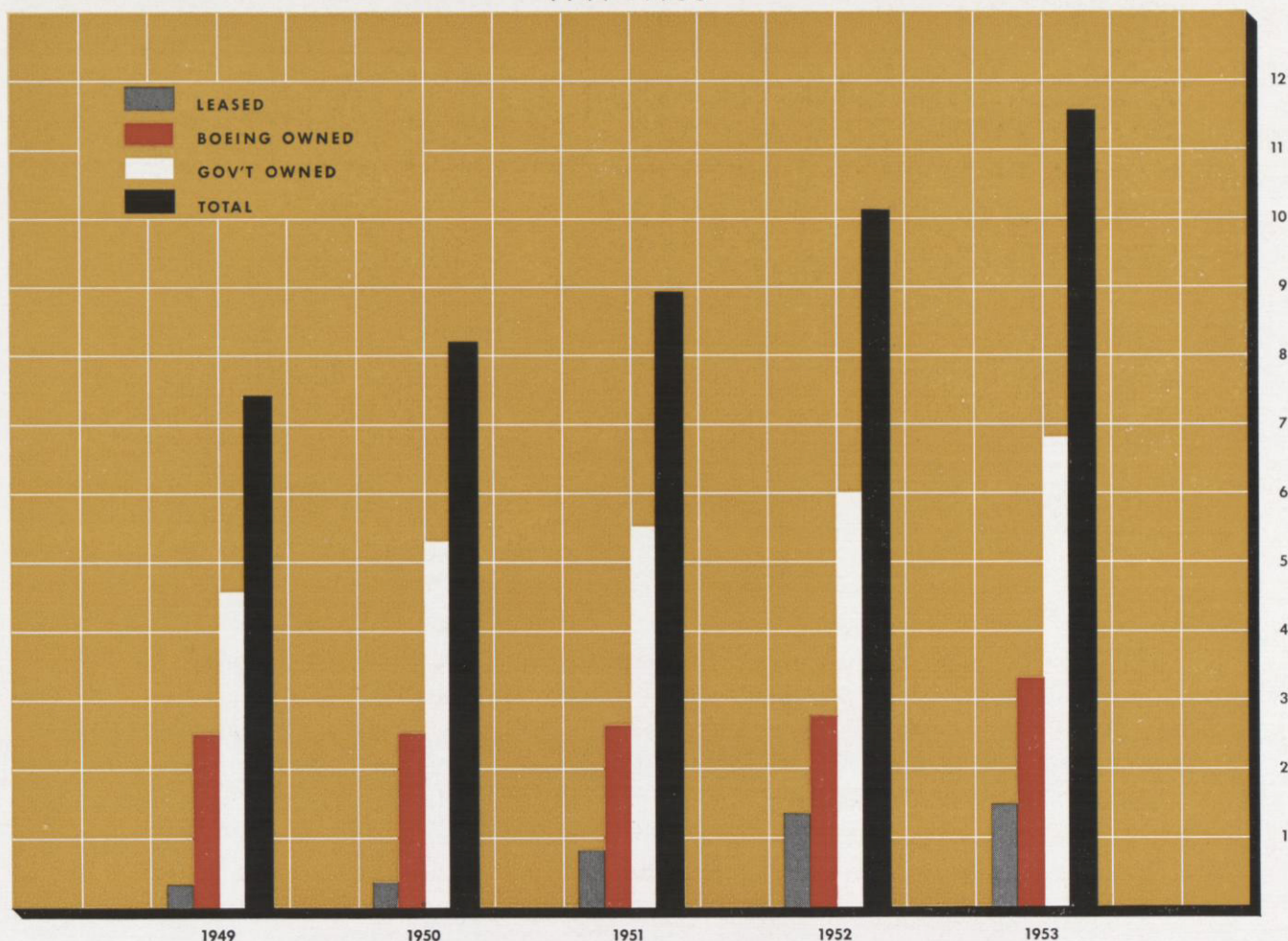
Total floor space in use at year end, includ-

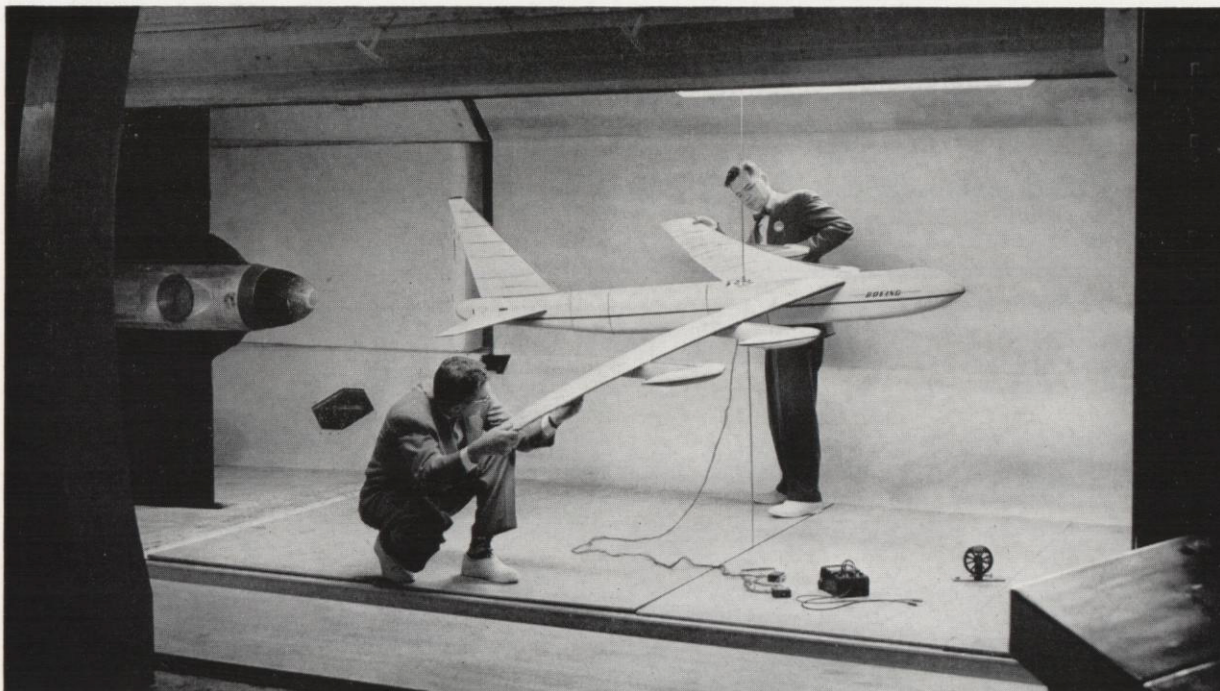
ing government-owned and commercially-leased properties, was 11,580,107 square feet, an increase of 1,395,666 square feet over the figure at the end of the previous year.

To meet the requirements for improved machinery and increased research facilities it has been necessary for the company and the government to spend large sums of money. Additional facilities also have been required because of the company's expanding volume of business. The need for investment of substantial funds for these purposes continues.

During 1953 the Board of Directors authorized an additional \$4,000,000 for facilities, bring-

FLOOR AREA
IN MILLIONS OF SQUARE FEET
1949 - 1953





Engineers prepare test of B-52 scale model in recently-improved company wind tunnel. To meet needs for tests at still greater speeds, proposed second tunnel is under study.

ing to \$26,000,000 the capital expenditures authorized since the current expansion program began in January, 1950. Of this amount, \$22,839,326 had been spent through December 31, 1953—\$8,009,875 in 1953. The government has spent or committed sums considerably in excess of this for facilities used or to be used by Boeing.

Largest of your company's facility investments during the year was for a new flight test hangar at Seattle at a cost of approximately \$5,800,000. Twelve acres of land near Plant II, Seattle, also was purchased for a material storage and handling building.

The company's wind tunnel at Seattle was remodeled in 1952 to permit testing in the transonic and low supersonic speed ranges (through and just beyond the speed of sound). A requirement exists, however, for a second tunnel capable of even faster supersonic speeds. A study of

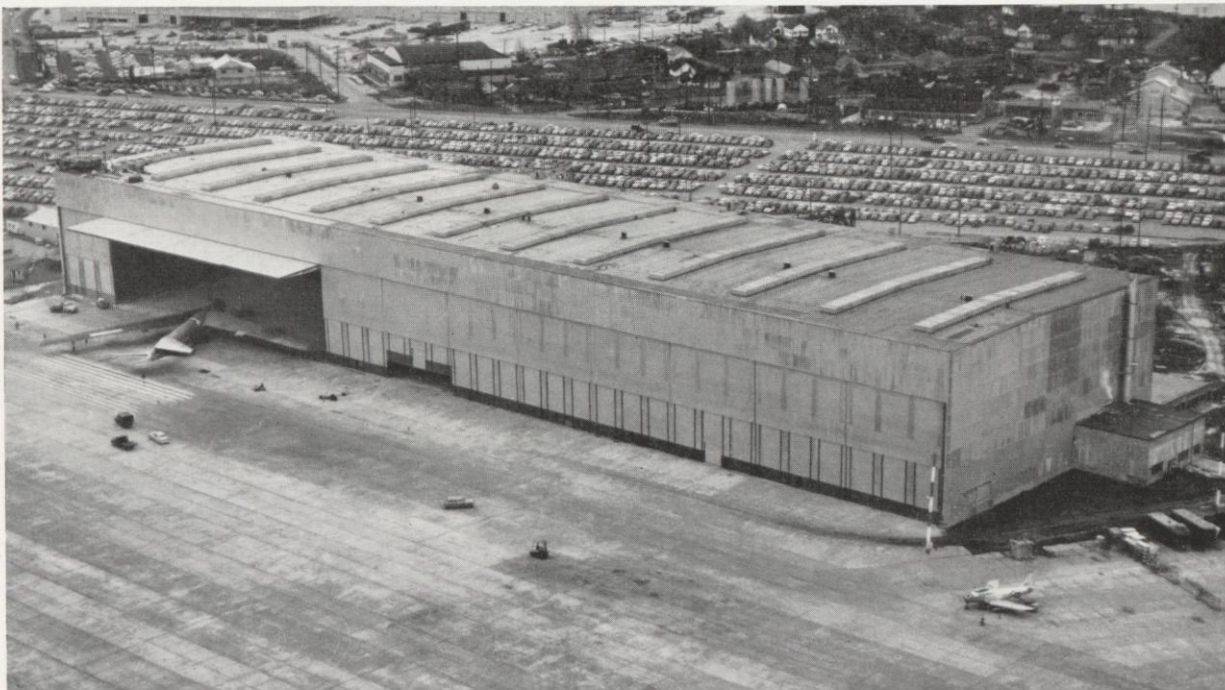
such a proposed tunnel has been authorized.

In a majority of cases, government certificates of necessity have been obtained, permitting a large percentage of the cost of new facilities to be amortized over a five-year period.

The government, which has supplied many machine tools, also has financed a material and fabrication building, an adjoining maintenance and transportation building, and an electronics building, all at Seattle.

At Wichita, construction was started for the government during the past year of a new cafeteria and office building, and funds were committed also for expansion of the general engineering laboratories. Early in 1954 the government allocated additional funds for facilities necessary to B-52 second source production.

Authority was received early in 1954 to use a portion of Larson Air Force Base in central



Largest single facility investment by Boeing during year was for \$5,800,000 hangar at Seattle. Capable of housing five B-52s, it covers a ground area of about two blocks.

Washington for flight testing of B-52s. Space limitations at Boeing Field in Seattle made this move advisable.

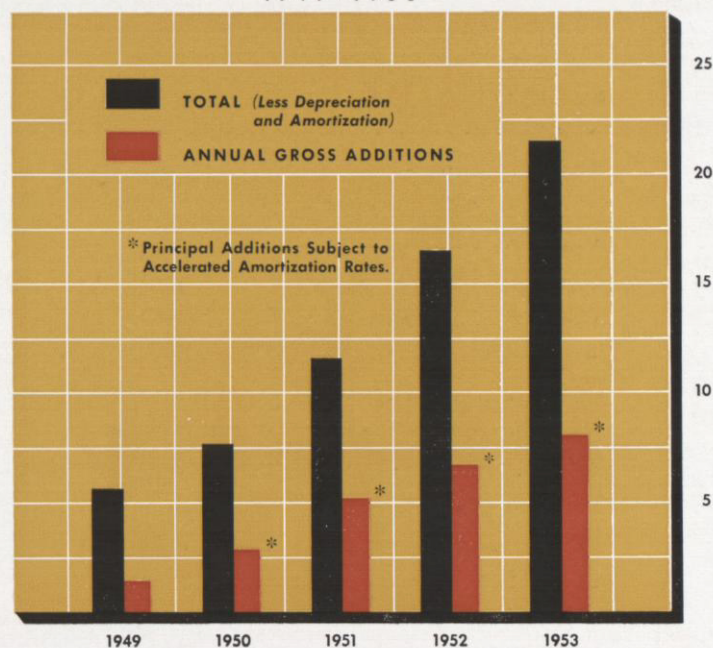
PRODUCTION ECONOMIES

Savings referred to earlier in this report on incentive-type fixed-price military production contracts result in part from a number of new and amplified programs to reduce costs of operation, to increase general efficiency and to instill a greater feeling of "cost consciousness" throughout the organization.

The incentive awards contributed to the desire of management at all levels to institute methods of producing with greater efficiency.

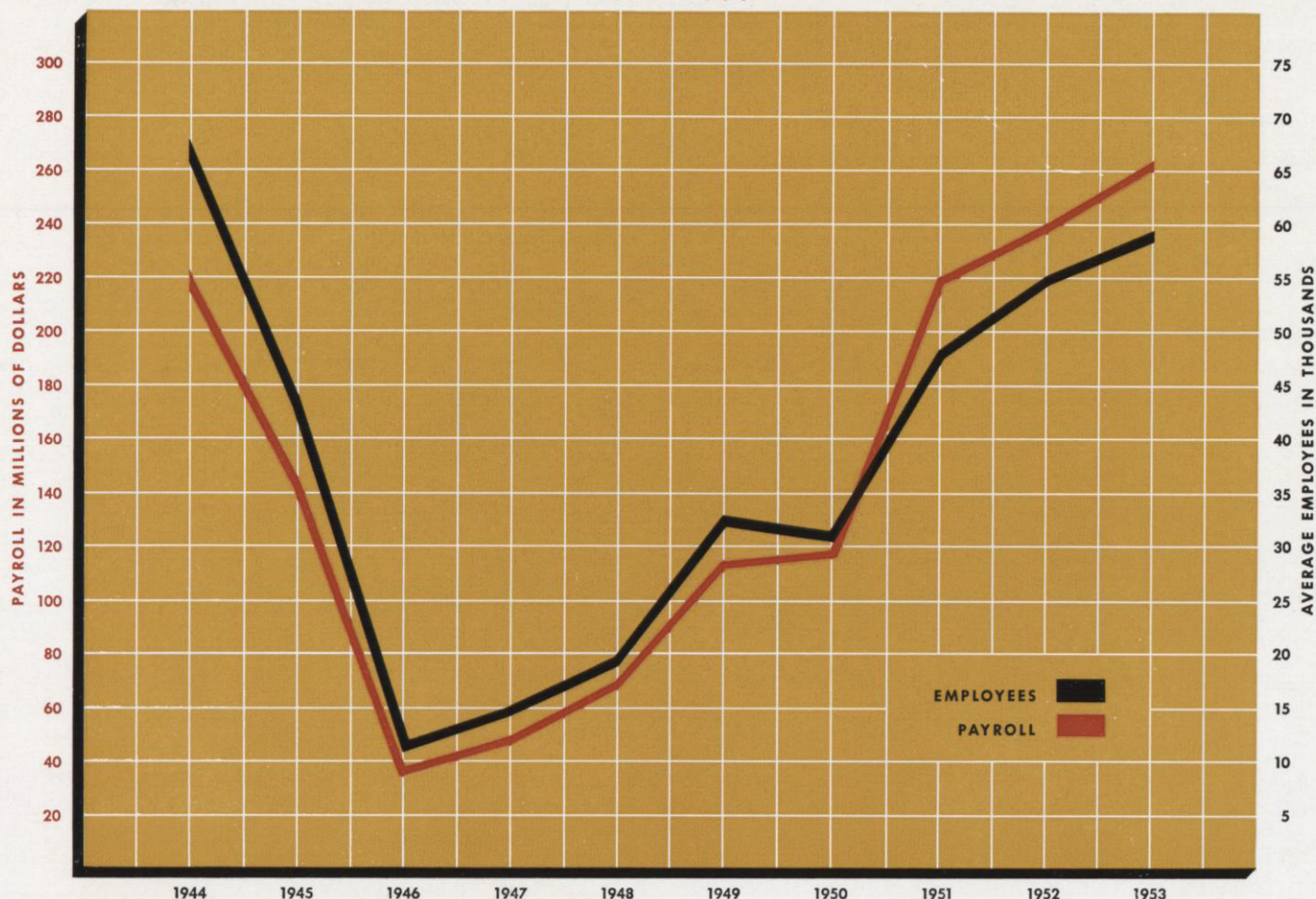
A wide variety of training programs for all employees, including supervisors, both on and off the job, contributed to better workmanship

COMPANY INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT IN MILLIONS OF DOLLARS 1949 - 1953



ANNUAL PAYROLL AND AVERAGE EMPLOYEES

1944 - 1953



and afforded additional opportunities of qualifying for promotions. Various specific new procedures were adopted to further improve cost control.

The suggestion system was expanded during the year and paid 2,071 employees \$157,852 as their share of estimated savings of \$1,653,789.

Man hours required per pound of airframe produced are a measure of manufacturing efficiency. A reduction is expected as workers improve through repetitive effort. Man hours on both the B-47 and KC-97 continued to drop faster than expected under the normal "improvement curve."

EMPLOYMENT INCREASES

Employment averaged 58,716 for the year (32,973 at Seattle-Renton and 25,743 at Wichita), compared to a company-wide average of 54,677 for 1952. At year end, the total was 62,569, as compared with the company's World War II peak of 69,752. Seattle Division employment is expected to remain relatively stable during 1954, while Wichita expects a gradual increase.

Wage increases of six cents an hour for hourly employees and 3½ per cent for salaried employees were granted during the year at Seattle. Similar increases were made at Wichita, plus

adjustments to complete the establishment of a uniform company-wide wage rate and job evaluation program.

Employee morale, in both union and non-union areas, is considered healthy. Union relationships have generally been very satisfactory. The company is continuing, with good results, its efforts to further develop its employees and supervisors, realizing that the strength of the company is comprised of the collective abilities of its people. We recognize and appreciate the combined work of all Boeing employees which made the year's accomplishments possible.

GENERAL COMMENT

In his January budget message this year, President Eisenhower made evident the trend in national defense planning which gives greater recognition to the importance of air power. "With the shift in emphasis to the full exploitation of air power and modern weapons," he said, "we are in a position to support strong national security programs over an indefinite period, with less drain on our manpower, material and financial resources."

Earlier the President stated that our strength must be increased "not by inefficient and expensive starts and stops but by steady and continuous improvement." Secretary of Defense Charles E. Wilson, referring likewise to the need for a more stable program, has voiced the desire "to eliminate by any feasible means the peak and valley character of effort which has militated against efficient and economical operation of the aircraft industry in the past."

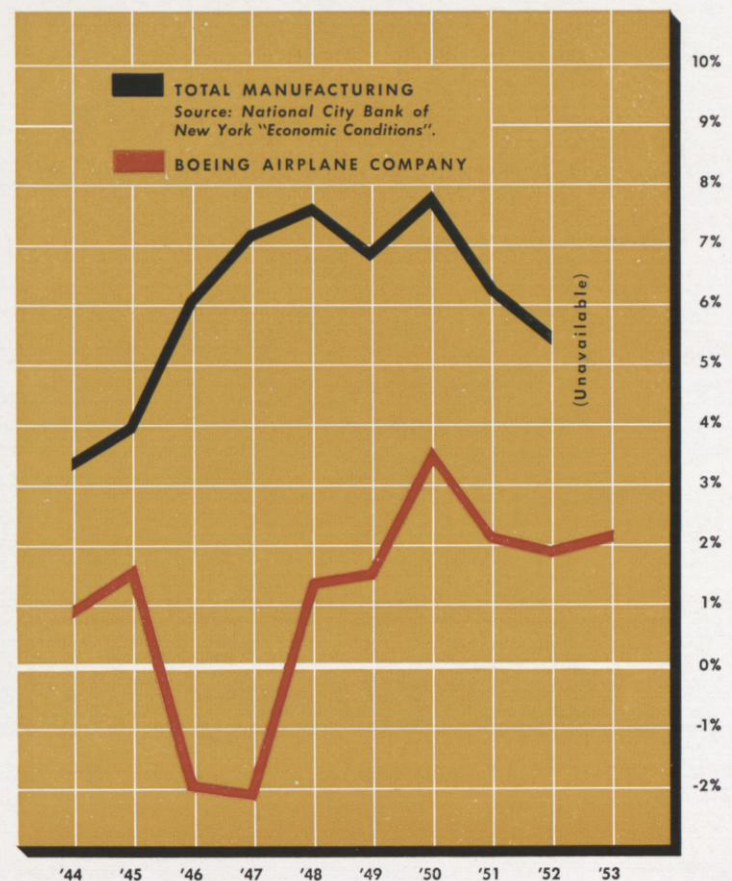
In thus recognizing the importance of long-range planning and greater stability for the nation's aircraft production program, the government has focused upon a problem that has been an obstacle to low-cost performance and continued design and manufacturing improvement.

Greater recognition of the importance of air power brings with it a greater responsibility for the aircraft industry. If weapons are to replace men to a greater extent than in the past, the weapons at all times must be superior. The government is relying on private industry to accomplish this. As one of the largest contractors to the government in the national defense program, Boeing is deeply conscious of its obligation to produce the best possible products at the least possible cost.

Does our industry have sufficient financial resources to properly carry out the responsibility it has acquired? This is a basic question of great importance, because the very concept of our defense policy depends upon constant, aggressive

PER CENT OF NET EARNINGS TO SALES

1944 - 1953





Eight B-47s of the 306th Bomb Wing en route from England to Florida after their first overseas assignment, give a salute to National Aircraft Show, Dayton, in September.

advancement and development of our defense equipment. Your company's net worth is greater than at any time in the past. Financial strength, however, must be measured in terms of relative need therefor. The need for financial resources has been growing rapidly with the accelerated pace of technical advancements. Reference already has been made to the substantial investments that have been required in facilities, and the heavy requirements for research and development. Since January 1, 1941, 70 per cent of the company's net earnings have been plowed back into the business.

Even with this substantial re-investment of earnings, our resources should be greater in order to meet the increasing demands of rapid technological development and to preserve a well qualified organization during periods of reduced volume.

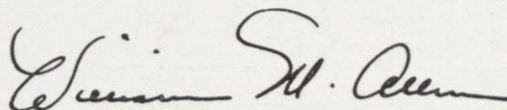
The five largest airframe producers, including Boeing, had net earnings averaging 1.83 per cent of sales for the ten years ending with 1952, the last complete year for which figures were available. This compares with average net earnings, year in and year out, for all manufacturing industry in the United States of around 5 to 6 per cent of sales, and the leading companies in the major industries usually show a somewhat higher percentage.

We are certain that it would be to the best

interest of the military and the taxpayers if the aircraft industry were permitted to earn a rate of profit more nearly comparable to the all-industry average, thereby enabling it to strengthen its ability to carry out, through good years and poor, its heavy responsibilities in maintaining technical progress in our national defense. With the expiration of the excess profits tax the relative position of the airframe industry should be somewhat improved, but still will be well behind industry generally.

As we look to the year ahead, Boeing products are in a strong position. It would appear that we have passed through the period in which defense expenditures are made on an emergency basis and that there is an increasing realization of the need for greater stability in defense programming. A capable and financially sound aircraft industry is required if we are to achieve the desired result of a continuing strong defense industry producing superior weapons at a reasonable cost.

For the Board of Directors



PRESIDENT

March 8, 1954

BALANCE SHEET

BOEING AIRPLANE COMPANY

ASSETS

CURRENT ASSETS:

Cash		\$ 17,708,599
United States Treasury Bills		2,996,150
Accounts receivable—		
United States	\$ 8,127,632	
Subcontractors and others	<u>3,545,156</u>	11,672,788
Estimated amounts receivable from the United States—		
For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees	\$ 41,886,552	
For deliveries under contracts for which unit prices have not been established or revised	<u>39,861,656</u>	81,748,208
Accumulated charges on other than cost-plus-a-fixed-fee contracts with the United States less estimated cost (average total contract basis) of deliveries	\$268,634,851	
Less progress payments	<u>181,662,669</u>	86,972,182
Inventories of materials and parts at the lower of average cost or market		8,061,645
Prepaid expenses		<u>555,759</u>
TOTAL CURRENT ASSETS		<u>\$209,715,331</u>

OTHER ASSETS:

Deposits with mutual insurance companies and other items		421,918
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PROPERTY, PLANT, AND EQUIPMENT, at cost:

Land (\$878,093) and buildings	\$ 24,115,756	
Machinery, tools, and equipment	<u>18,068,215</u>	
	\$ 42,183,971	
Less allowance for accumulated depreciation and amortization	<u>20,630,376</u>	21,553,595
		<u>\$231,690,844</u>

See notes to

DECEMBER 31, 1953

|

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:

Accounts payable		\$ 49,085,746
Salaries and wages		20,474,068
Taxes other than taxes on income		2,197,572
Estimated amounts payable to the United States arising from contract price revisions		70,963,014
Incentive compensation for officers and employees		3,000,000
Allowance for contract adjustments including renegotiation, net of taxes		1,200,000
Federal and state taxes on income	\$42,027,526	
Less U. S. Certificates of Indebtedness—Tax series	<u>39,451,438</u>	<u>2,576,088</u>
TOTAL CURRENT LIABILITIES		<u>\$149,496,488</u>

STOCKHOLDERS' INVESTMENT:

Capital stock, par value \$5 a share—		
Authorized—2,500,000 shares		
Issued and outstanding—1,623,681 shares at stated value	\$35,203,414	
Earnings retained for use in the business	<u>46,990,942</u>	<u>82,194,356</u>

\$231,690,844

financial statements.

STATEMENT OF NET EARNINGS

BOEING AIRPLANE COMPANY

YEAR ENDED DECEMBER 31, 1953

Sales		\$918,245,946
Other income		1,125,278
		<u>\$919,371,224</u>
Cost of sales (excluding applicable portion of certain items set forth below in the amounts incurred during the year)	\$832,084,223	
Research and developmental expenses	14,560,654	
General and administrative expenses	6,965,393	
Incentive compensation for officers and employees	3,000,000	
Depreciation and amortization (including amortization in excess of normal depreciation of \$1,025,848)	2,795,931	
Advertising and other expenses	1,146,845	
Federal and state taxes on income (including \$9,800,000 for excess profits taxes)	38,500,000	899,053,046
NET EARNINGS FOR THE YEAR		<u>\$ 20,318,178</u>

See notes to financial statements.

EARNINGS RETAINED FOR USE IN THE BUSINESS

BOEING AIRPLANE COMPANY

YEAR ENDED DECEMBER 31, 1953

Balance at January 1, 1953	\$32,349,532
Net earnings for the year	20,318,178
	<u>\$52,667,710</u>
Cash dividends paid, \$3.50 a share	5,676,768
Balance at December 31, 1953	<u>\$46,990,942</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CONTRACT ADJUSTMENTS INCLUDING RENEGOTIATION:

Substantially all of the Company's sales for the year 1951 and subsequent years are subject to renegotiation under the Renegotiation Act. A final determination has been made by the Renegotiation Board that no excessive profits were realized in 1948, 1949 and 1950. The Company believes that the same findings should be made for the subsequent years.

The Company provided an allowance for contract adjustments including renegotiation, net of taxes, of \$1,200,000 for the year 1950 which has not been required for either purpose, and has been returned to earnings in 1953. Since there are uncertainties regarding matters of contract adjustments and renegotiation, the Company has made a similar provision in the accounts in 1953.

FEDERAL TAXES ON INCOME:

Returns of the Company have been examined for all years through 1949, and final settlements have been reached for the years prior to 1944 except as explained in the following paragraph. It is believed that the liability as stated in the accounts is adequate to cover any net deficiencies for open years.

The Company has petitions filed with the Tax Court of the United States under Section 721 of the Internal Revenue Code for the years 1942 and 1943 which, together with other pending matters, could result in substantial refunds of taxes already paid.

EARNINGS RETAINED FOR USE IN THE BUSINESS:

Earnings retained for use in the business are after transfer of \$21,649,080 to capital stock in 1952.

ACCOUNTANTS' REPORT

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

1411 FOURTH AVENUE
SEATTLE 1, WASH.

March 8, 1954

Board of Directors,
Boeing Airplane Company,
Seattle, Washington.

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1953, and the related statements of net earnings and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of any adjustment that may be required for renegotiation which we are unable to evaluate, the accompanying balance sheet and statements of net earnings and earnings retained for use in the business present fairly the financial position of Boeing Airplane Company at December 31, 1953, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on December 16, 1953, in setting aside a sum of \$3,000,000 for the year 1953 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Niven, Bailey & Smart

Certified Public Accountants

FIVE YEAR CONDENSED CO

FINANCIAL POSITION

AS OF DECEMBER 31,

1953

CURRENT ASSETS:

Cash and United States Treasury securities	\$ 20,704,749
Accounts receivable, and estimated amounts receivable from the United States . . .	93,420,996
Accumulated charges on contracts, and inventories	95,033,827
Prepaid expenses	555,759
Total Current Assets	<u>\$209,715,331</u>

CURRENT LIABILITIES:

Notes payable to banks	\$
Accounts payable and accrued expenses	74,757,386
Amounts payable arising from contract price revisions	70,963,014
Allowance for contract adjustments, net of taxes	1,200,000
Federal and state taxes on income (Less tax anticipation certificates)	2,576,088
Advances on contracts
Total Current Liabilities	<u>\$149,496,488</u>

Working Capital	\$ 60,218,843
Other assets	421,918
Property, plant and equipment, net	21,553,595
Net Assets	<u>\$ 82,194,356</u>

Represented by stockholders' investment in:

Capital stock	\$ 35,203,414
Additional paid-in capital
Earnings retained for use in business	46,990,942
	<u>\$ 82,194,356</u>

Stockholders' equity per share	\$50.62
Ratio of current assets to current liabilities	1.40 to 1
Gross additions to plant and equipment	\$ 8,009,875

SALES, EARNINGS AND DIVIDENDS

Sales	\$918,245,946
Earnings before taxes on income	58,818,178
Taxes on income	38,500,000
Net earnings	20,318,178
Cash dividends paid	5,676,768
Net earnings per share	12.51
Cash dividends paid per share	3.50
% earnings to sales before taxes on income	6.40%
% taxes on income to sales	4.19%
% net earnings to sales	2.21%

*Adjusted on an equivalent basis to the 1,623,681 shares outstanding as of December 31, 1952 and 1953

COMPARATIVE FINANCIAL DATA

1952	1951	1950	1949
\$ 25,356,073	\$ 21,900,894	\$ 25,962,122	\$ 25,957,106
94,558,758	93,649,160	74,107,613	50,287,969
43,486,461	33,416,629	15,625,026	29,980,789
697,410	746,595	409,364	453,076
<u>\$164,098,702</u>	<u>\$149,713,278</u>	<u>\$116,104,125</u>	<u>\$106,678,940</u>
\$	\$ 31,190,000	\$	\$
62,648,421	49,371,852	30,164,192	21,450,211
12,386,725	8,372,017	23,565,005	14,161,856
1,200,000	1,200,000	1,200,000
37,199,167	13,700,907	15,201,014	4,081,291
.....	26,779,515
<u>\$113,434,313</u>	<u>\$103,834,776</u>	<u>\$ 70,130,211</u>	<u>\$ 66,472,873</u>
\$ 50,664,389	\$ 45,878,502	\$ 45,973,914	\$ 40,206,067
388,069	389,839	285,317	505,199
16,500,488	11,525,716	7,641,149	5,609,632
<u>\$ 67,552,946</u>	<u>\$ 57,794,057</u>	<u>\$ 53,900,380</u>	<u>\$ 46,320,898</u>
\$ 35,203,414	\$ 5,412,270	\$ 5,412,270	\$ 5,412,270
.....	8,142,064	8,142,064	8,142,064
32,349,532	44,239,723	40,346,046	32,766,564
<u>\$ 67,552,946</u>	<u>\$ 57,794,057</u>	<u>\$ 53,900,380</u>	<u>\$ 46,320,898</u>
\$41.60	\$35.59*	\$33.20*	\$28.53*
1.45 to 1	1.44 to 1	1.66 to 1	1.60 to 1
\$ 6,745,430	\$ 5,175,449	\$ 2,908,572	\$ 1,413,408
\$739,010,214	\$337,300,566	\$307,250,982	\$286,751,519
49,784,449	19,840,751	24,226,558	7,991,348
35,700,000	12,700,000	13,400,000	3,580,000
14,084,449	7,140,751	10,826,558	4,411,348
4,325,560	3,247,074	3,247,076	2,164,814
8.67	4.40*	6.67*	2.72*
2.66⅔	2.00*	2.00*	1.33⅓*
6.74%	5.88%	7.88%	2.79%
4.83%	3.76%	4.36%	1.25%
1.91%	2.12%	3.52%	1.54%

BOARD OF DIRECTORS

WILLIAM M. ALLEN
President

WELLWOOD E. BEALL
Senior Vice-President

DARRAH CORBET
President, Smith Cannery
Machines Company
Seattle, Washington

C. L. EGTVEDT
Chairman

D. A. FORWARD
Senior Vice-President
The National City Bank
of New York

ARTEMUS L. GATES
Consultant
New York City

FRED P. LAUDAN
Vice-President—
Manufacturing

WILLIAM G. REED
Chairman,
Simpson Logging Company
Seattle, Washington

J. E. SCHAEFER
Vice-President—
General Manager
Wichita Division

DIETRICH SCHMITZ
President, Washington
Mutual Savings Bank
Seattle, Washington

EDWARD C. WELLS
Vice-President—
Engineering

J. P. WEYERHAEUSER, JR.
President, Weyerhaeuser
Timber Company
Tacoma, Washington

J. O. YEASTING
Vice-President—
Finance

OFFICERS

WILLIAM M. ALLEN President
C. L. EGTVEDT Chairman
WELLWOOD E. BEALL Senior Vice-President
EDWARD C. WELLS Vice-President—Engineering
FRED P. LAUDAN Vice-President—Manufacturing
J. E. SCHAEFER Vice-President—General Manager, Wichita Division
J. O. YEASTING Vice-President—Finance
A. F. LOGAN Vice-President—Industrial Relations
C. B. GRACEY Vice-President—Manufacturing, Wichita Division
CLIF BARRON Vice-President—Divisional Controller, Wichita Division
J. E. PRINCE Vice-President—Administration, and Secretary
J. P. MURRAY Vice-President—Eastern Representative
EVAN M. NELSEN Treasurer
CLYDE SKEEN Controller

GENERAL COUNSEL

HOLMAN, MICKELWAIT, MARION, BLACK & PERKINS

GENERAL AUDITORS

TOUCHE, NIVEN, BAILEY & SMART

TRANSFER AGENT

CITY BANK FARMERS TRUST COMPANY, NEW YORK CITY

REGISTRAR

THE NATIONAL CITY BANK OF NEW YORK, NEW YORK CITY

BOEING AIRPLANE COMPANY

SEATTLE, WASHINGTON
MAIN OFFICE, 7755 E. MARGINAL WAY

WICHITA, KANSAS
WICHITA DIVISION

